



STATE OF WASHINGTON  
OFFICE OF FINANCIAL MANAGEMENT  
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January 14, 2004

**TO:**           The Honorable Joseph Zarelli, Chair  
                  Senate Ways and Means Committee

                  The Honorable Mike Hewitt  
                  Senate Ways and Means Committee

                  The Honorable Helen Sommers, Chair  
                  House Appropriations Committee

                  The Honorable Hans Dunshee, Chair  
                  House Capital Budget Committee

                  The Honorable Margarita Prentice  
                  Senate Ways and Means Committee

                  The Honorable Darlene Fairley  
                  Senate Ways and Means Committee

                  The Honorable Barry Sehlin  
                  House Appropriations Committee

                  The Honorable Gary Alexander  
                  House Capital Budget Committee

**FROM:**       Marty Brown *ms*  
                  Director

**SUBJECT: REVISIONS TO THE GOVERNOR'S 2004 SUPPLEMENTAL BUDGET**

The attached list contains proposed revisions to the Governor's supplemental budget recommendation. The majority of these changes are technical in nature, reflecting fund source or dollar estimate corrections, updates to agency request legislation, and new information about rates and other assumptions. Total revisions net to an expenditure increase of \$83,000 in General Fund-State, and \$6.754 million in other operating and capital funds.

Several issues of significance should be highlighted:

DSHS Premera Lawsuit Settlement

A lawsuit was recently settled regarding retroactive payments for persons who were enrolled in managed care plans and also found eligible for Supplemental Security Income benefits. The plaintiff in the suit, Premera Blue Cross, asked for \$16 million in damages. After the Governor's budget was completed, a negotiated settlement was agreed upon for \$2.376 million in total funds (\$1.187 million General Fund-State and \$1.118 million in federal funds).

DSHS ProShare Adjustments

In late December, the U.S. Department of Health and Human Services Office of the Inspector General asked for corrections in calculations for ProShare transactions that had taken place in state fiscal years 2001 and 2002. (Similar corrections in the Governor's proposed supplemental budget amend fiscal years 2003, 2004, and 2005.) Although this revision does not require an expenditure change in the current biennium, the adjustment to past fiscal years will reduce the Health Services Account fund balance by \$18.5 million, resulting in an ending balance of \$14 million.



#### State Need Grant

The inclusion of additional state need grant dollars for the new higher education high demand enrollments proposed in the December budget represents a reconsideration of our original assumption on how these expenses are funded. Although it is possible that existing appropriations or State Educational Trust Fund monies might be sufficient for this purpose, it is important to the intent of the budget that funding be ensured. We are therefore proposing the addition of \$811,000 in new General Fund-State (GFS) to the Higher Education Coordinating Board (HECB) budget.

We also recognize the need to work with the Legislature and HECB to consider the recently identified issue of unserved students in need of financial assistance.

#### Department of Agriculture BSE

Following completion of the Governor's budget recommendation, Bovine Spongiform Encephalopathy (BSE), also known as "mad cow" disease, was discovered in a Washington state dairy cow. This discovery has set off an intensive incident response by the Washington State Department of Agriculture (WSDA) and other state agencies. As a result, an additional \$150,000 is required to cover estimated staff overtime and legal costs. The Office of Financial Management (OFM) will continue to work with the Legislature on refining this dollar amount as more information is known.

The BSE outbreak has also heightened the need to market Washington agricultural products domestically, and points out food safety weaknesses that may have security implications. Therefore, we recommend providing an additional \$250,000 to fully fund the agency's request to enhance domestic agricultural marketing and to address food and agricultural security.

#### Utilities and Transportation Commission Energy Policy

The Washington Utilities and Transportation Commission (WUTC) has requested \$60,000 (Public Service Revolving Account) to further the state's interest in national energy policy development in Congress. The WUTC has been involved in a coordinated effort of public officials in Washington, the Pacific Northwest, and nationwide to analyze initiatives to restructure the electricity industry in ways that affect Washington's electricity consumers. The funding requested is for one-time expenses for coalition efforts, and for monitoring and research on a variety of federal legislative and regulatory issues related to electricity regulation.

#### Employment Resource Center (Capital Budget)

A facility to house workforce development programs was part of Washington's bid to build the Boeing 7E7 Dreamliner aircraft. A re-evaluation of the necessary schedule for this facility moves construction from 2005-07 to the current biennium, requiring a \$6 million appropriation in the supplemental budget. Support for this project is available from a federal Reed Act distribution of unemployment insurance funds.

These revisions will also be available in a revised budget database, and we will continue to work with staff on the details of these issues. If you have any questions, please do not hesitate to contact us.

Budget Revisions Memo

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cc: David Schumacher, Senate Ways and Means Committee  
Mike Wills, Senate Ways and Means Committee  
Victor Moore, House Appropriations Committee  
Dave Johnson, House Appropriations Committee  
Charlie Gavigan, House Capital Budget Committee

2004 Supplemental Budget: Technical Corrections and New Information Related to Governor's 12/03 Budget

(Dollars in Thousands)											
Proposed Revision	Agency	Original Amounts			Corrected Amounts			Expenditure Revision			Comment
		FTEs	GFS	Other	FTEs	GFS	Other	FTEs	GFS	Other	
Removes a budget item for an agency request bill that will not be introduced	190-Board of Industrial Insurance Appeals	0.6	0	150	0.0	0	0	(0.6)	0	(150)	Remove Recsum 16 Delivery of Vocational Rehabilitation Benefits from data base, and revise appropriation. (Medical Aid Account, Accident Account)
	235-Labor and Industries	0.5	0	258	0.0	0	0	(0.5)	0	(258)	Remove Recsum PY Delivery of Vocational Rehabilitation Benefits from data base, and revise appropriation. (Medical Aid Account, Accident Account)
Corrects fund source distribution between programs in DSHS	300-DSHS, 010-Children's	0.0	(112)	(6,694)	0.0	(124)	(6,682)	0.0	(12)	12	Item 9T Transfers: Small adjustments to be made to fund sources. Item does not change in total.
	300-DSHS, 110-Administration	0.0	2,114	12,070	0.0	2,126	12,058	0.0	12	(12)	
Adds an administrative cost that was inadvertently omitted from DSHS budget item	300-DSHS 080-Economic Services	0.0	38,607	0	0.0	38,953	0	0.0	346	0	Add administrative cost to item DK State Supplemental Payments
Adds funding for the recent Premera lawsuit settlement (regarding a dispute over MAA payments for SSI eligible patients who were simultaneously on the managed care rolls)	300-DSHS 080 Medical Assistance	0.0	0	0	1,187	1,188		0.0	1,187	1,188	A settlement is for \$2,375 million was made in mid-December.
Adds state funding for federal Proshare payments in FY 2001 and FY 2002 that are in error and must be reimbursed by the Health Services Account	300-DSHS 080 Medical Assistance	0.0	0	0	0.0	0	0	0.0	0	0	This \$18.5 million prior biennium adjustment will not require an appropriation revision, but will reduce the fund balance for the Health Services Account.
Corrects funding for the Adult Protection Services Fair Hearing costs in DSHS Long Term Care program that were higher than necessary, and incorrectly distributed between programs. Adds related expenditure authority to the Office of Administrative Hearings.	300-DSHS, 050-Long Term Care	12.3	1,829	1,198	4.8	513	321	(7.6)	(1,316)	(877)	This funding is needed to provide fair hearings to individual providers terminated from employment as a result of Adult Protective Services substantiated findings of abuse, abandonment, neglect, and financial exploitation of vulnerable adults.
	300-DSHS, 110-Administration	0.0	0	0	1.8	154	126	1.8	154	126	
	300-DSHS, 145-Payments to Other Agencies	0.0	0	0	0.0	373	304	0.0	373	304	Additionally, the higher spending authority must also be added to Office of Administrative Hearings.
	110-Office of Administrative Hearings	0.0	0	0	3.6	0	677	3.6	0	677	
Adds State Need Grant for new higher education enrollments	343-Higher Education Coordinating Board	0.0	0	0	0.0	811	0	0.0	811	0	Governor's supplemental did not include an increase to State Need Grant to follow the new enrollments that were funded.
Eliminates inactive account included in health benefits funding	713-State Employee Compensation				0.0			0.0	0	0	Item Z1A Health Benefits: Fund 06A Salmon Recovery Account is no longer active; this \$39,000 in funding should be moved to Account 267 Recreational Resources Account.
Reduces Home Care Worker Contract and Administration amounts for lower L&I workers compensation rate	076-Special Appropriations--Home Care Worker Wages/Benefits	0.0	24,022	23,314	0.0	23,445	22,756	0.0	(577)	(558)	
	076-Special Appropriations--Home Care Worker Contract Administration	0.0	1,329	1,282	0.0	1,324	1,284	0.0	(5)	2	
Adjusts revenue for agency request bill approved after the budget was completed	235-Labor and Industries										Revenue database would be lowered by \$592,000 in GF-S and increased in Account 234 Public Works Administration Account; item to be added to General Fund balance sheet.
Corrects year split for Pesticide Strategy item	495 Department of Agriculture	0.0	0	248	0.0	0	248	0.0	0	0	Revise data to split funding evenly between years for State Toxics Account.
Provides funding for Bovine Spongiform Encephelopathy (BSE) response	495 Department of Agriculture	0.0	380		2.0	780		2.0	400	0	1) Fully fund agency supplemental request for domestic marketing and good/agricultural security; adds \$250,000 to existing proposal. 2) Provide funding for staff overtime and legal costs; \$150,000.
Revises LEOFF contributions to latest estimates	740-Retirement Contributions	0.0	42,170	0	41,670	0		0.0	(500)	0	New information from the Department of Retirement Systems shows that the actual requirement for GF-S contributions to LEOFF 2 are \$1 million less than budgeted for FY 2004 and \$500,000 higher in FY 2005, netting to a \$500,000 biennial savings.
Provides funding for policy development efforts related to electricity regulation and pending federal energy bill	215-Utilities and Transportation Commission	0.0	0	0	0.0	0	60	0.0	0	60	Existing fund balance supports the additional appropriations.
Includes health insurance reduction for Higher Education Coordinating Board savings left out of the original calculation.	713-State Employee Compensation	0.0	(4,695)	(2,895)	0.0	(4,701)	(2,897)	0.0	(6)	(2)	Add to this allocation agency and amend the Employee Health Benefits OFM Document 2004-01.

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Proposed Revision	Agency	Original Amounts			Corrected Amounts			Expenditure Revision		
		FTEs	GFS	Other	FTEs	GFS	Other	FTEs	GFS	Other
Corrects fund split for health insurance savings	713-State Employee Compensation	0.0	(4,695)	(2,895)	0.0	(5,480)	(2,653)	0.0	(785)	242
								(1.3)	82	754
Capital Budget										
Adds the Employment Resource Center to the current biennial budget	103-Community, Trade, and Economic Development	0.0	0	0	0.0	0	6,000	0.0	0	6,000
TOTAL								(1.3)	82	6,754
This change will affect Department of Social and Health Services, as well as the institutions of Higher Education. Ofm Document 2004-01 will also be revised.										
This new project is funded from the 119-2 Unemployment Compensation Account, using Reed Act funding.										

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